ITALY BEST PROSPECT INDUSTRY SECTOR PROFILE

Sector Name: **TELECOMMUNICATION SERVICES**
ITA Industry Code: TEL

Revenues from Italian telecommunication services market, Europe's fourth largest, are estimated at approximately $28 billion in 2003. The sector grew by 5 percent in Euro currency in 2002, lower than 2001's 9 percent growth, due to global economic stagnation and market factors. Most growth in 2001 and 2002 was in wireless (mobile) communications, which continues to grow faster than wire-line (fixed) services. The latter, including fixed line network telephony, data transmission, Internet access and fixed line network VAS-(value-added services), increased only 2 percent in 2002, with total sales valued at $14.5 billion, as consumers turn from fixed network usage to mobile services. Italy's adoption of the Internet has been slower than its adoption of mobile communications but penetration rates are approaching the European average, with business and consumer accounts expected to surpass 38 percent and 49 percent respectively by the end of 2003, according to Gartner Research.

With over 40 million active users, Italy is the world's fourth-largest end-user of mobile communications services, and accounts for approximately 20 percent of the European market. At the end of 2002, Italy's mobile penetration rate of 92 percent was second only to Luxembourg in the EU. Revenues from mobile telephone services, estimated at approximately $13.5 billion, increased by 9 percent in 2002 vs. 19 percent in 2001, with value added services (messaging, data transmission, photographic and entertainment services) within that component growing at the rate of 33 percent in 2002 against 89 percent in 2001. Industry experts view the mobile telephony market as approaching a high level of maturity and usage, which brings with it a gradual reduction in growth rates.

For the future, the market will be driven by the following factors: value-added services on wireless and wire-line networks will continue to be a particularly dynamic area; quicker, better data and value-added services at substantially lower prices will be offered by an increasing number of competing operations; the continued implementation of general packet radio service (GPRS) telephone services is expected to further stimulate the data transmission and value-added services sectors as operators introduce services mainly focused on news, games and entertainment; mono and multimedia message services (MMS) will prove to be one of the most dynamic components of mobile telephone services; and use of the Internet as a business tool will open up many opportunities, especially in security and value-added services.

Given the above, there are lucrative business opportunities for U.S. companies with technical skill and expertise in Internet applications and services for wireless and fixed line telephony. In particular, as GPRS usage becomes widespread and UMTS cellular telephony is introduced, there will be good prospects for Internet services in the business-to-consumer market for publishing, Internet music and videos, bookings for entertainment events, vacation and travel.

Data Table:

(USD Millions)	2001 (actual)	2002 (actual)	2003 (estimated)
Total Market Size	25,837	28,646	30,195
Sales by Local Firms	25,342	28,073	29,591
Exports by Local Firms	--	--	--
Sales by Foreign-owned Firms*	495	573	604
Sales by U.S.*-owned Firms	81	93	97
Exchange rate $1=euro	1.117	1.057	0.877

The above statistics are unofficial estimates; *Data not available from outside sources.

Would you like to know more? Click here to contact the U.S. Commercial Service Italy.